

# NFRB QUARTERLY

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## THE WORK OF N F R B

The membership of N F R B has increased, especially in the last two years, to over 400. This is very gratifying; but it is necessary that a membership nearer 1,000 than 500 should be achieved if N F R B's position is to be completely assured, by making it less dependent on larger subscriptions from a few members. Steps are being taken to fulfil this aim, and the cooperation of members is earnestly requested. An organization such as N F R B recruits its strength most effectively by members introducing to it those of their friends who are interested in thorough research and informed discussion and realize that these things amply repay both now and in the future the time and money spent on them.

There have been a number of changes in the organization of N F R B since the last issue of the Quarterly. John Cripps has resigned from the Assistant Secretaryship to take up a position at the Agricultural Research Institute at Oxford. He has been succeeded by W. A. Nield. Further assistance will be given to the staff by Miss Jane Rendel. Amongst new members there are several leading economists and international experts who will take part in the coming Conferences this winter. The Manchester Group is now firmly established and has already held one very successful Conference; another has just been held (September 26-27) in Buxton, and was also very successful.

The second Five Year Plan of Research is now well in hand and, it is hoped, will, when completed, fill in the gaps left by the First Plan. The Planning Section has set up several sub-committees to deal with various aspects of the machinery of Planning (Political) and Distribution, and work is now in progress. The International Section has drawn up a completely new programme, which is being put in hand as suitable persons are found for different subjects. Work is also in progress on the following subjects: 40-Hour Week, Socialization of the Chemical Industries, Socialization of Transport (book in preparation), Democracy and Armed Forces, National Legal Service. Memoranda have been completed on the following subjects: Adult Education, Milk Supply and Distribution, Law of Libel Reform, Bill on Private Armies. As the membership of the Bureau has expanded, the personnel available for work and criticism has been enlarged. Several pieces of recent research have been commended in expert quarters; and the reputation of the Bureau for reliability and thoroughness is well established.

Four Conferences will be held during the winter months. The first, on International Commercial Policy, will be held at the Royal Star Hotel, Maidstone, on October 24-25. Sir Arthur Salter will be in the chair at the first two sessions and G D H Cole at the



second two sessions, and both will speak. Other speakers will be John Parker, M P, Grahame Hutton (assistant Editor of the *Economist*), and Donald Barber. The second Conference, on Technical Education, will be held on Saturday, November 21 (two sessions); R H Tawney will be in the chair and will speak. Further particulars can be obtained from the office. The third, which should prove extremely interesting to a wide circle, will be on Labour Political Strategy; it will be held at St. Hugh's College, Oxford, on December 12-13; speakers are not yet arranged, but it is hoped that the programme will be very attractive. N F R B will also be running a discussion group of a specialized character for members and friends under 30; it will be held in the City at a private house on Wednesday evenings, starting October 21st; the subject will be "The Background of International Relations", and speakers will include Dr Hugh Dalton, F A Voigt (Foreign Correspondent of the *Manchester Guardian*), and a military expert. Invitations will be issued as soon as possible in October; all those who wish to attend should send in their names at once to the Assistant Secretary, as accommodation is limited.

Three pamphlets have been published in the last quarter: *Foreign Trade* by Harold Barger, a study in Currency and Commercial Policy for a Labour Government; *Labour and War Resistance*, which sold out and had to be reprinted, having a most successful press reception; and *Rent Rebates* by Geoffrey Wilson, which also has been very well received and is expected to sell widely to local authorities as a comprehensive and thorough study of an important subject. The book on Public Concerns has been completed and is now in the hands of the printer. It consists of nine Studies of Public Concerns such as the BBC, LPTB, GPO and some of the lesser known ones such as the Coal Reorganisation Commission, with a concluding chapter by the Editor, Dr W A Robson. It will be published by George Allen and Unwin, price still to be fixed, but expected to be between 10/- and 15/-, and should be an invaluable assessment of the value, efficiency and working of state enterprise. Further publications may be expected as the work in hand noted above is completed. This record of activity will, it is hoped, substantiate N F R B's claim to continued support and increased membership, applications for which are invited. Communications should be addressed to the Secretary, John Parker, M P, at the offices of N F R B, 37, Great James Street, London, WC1. All communications concerning the Quarterly should be sent to the Editor, W A Nield, at the same address.

# BLUM'S ECONOMIC POLICY

R W B CLARKE<sup>1</sup>

The Government of the Front Populaire has been in power for nearly four months. In ten weeks' actual Parliamentary business it has obtained legislative sanction for practically the whole of the economic programme of the coalition—an illuminating example of what a Government of the Left can do if its leaders are willing to be bold and if it is strongly supported by a mass trade union movement. To men and women of the Left in this country the experiment is of immense significance: it does provide something like a test case of the possibility of effective and permanently successful action by a union of all Left parties.

When, at the beginning of May, the Front Populaire was elected to power with a good working majority, most English Socialists heaved a sigh of relief that the drift towards Fascism had been stopped, but were at the same time a little apprehensive about the new Government's economic policy. The paper programme of the Front Populaire, while being excellent in its sections for dealing with the menace of Fascism at home and abroad, seemed decidedly insufficient in the economic sphere. In the discussions between the Radicals, Socialists and Communists, the Radicals had refused to include nationalization in the programme, and the Communists, somewhat paradoxically, had backed them up. It was agreed that the Bank of France should be nationalized and that the armaments industry should be State-controlled and partly State owned, but that was the limit to which the Radicals would go. The rest of the programme was a somewhat insufficiently worked out inflationism—there should be a vigorous public works policy, immediate repeal of the "economy" decrees, a forty-hour week and a better pension system. The programme at the same time stood firmly for the maintenance of the gold standard, and hoped to maintain it by persecution of speculators. Finally, agriculture should be reorganized upon the basis of a guaranteed price and suppression of "speculation", and the taxation system should be remodelled to the detriment of those with large incomes. There was no provision for any sort of national planning—it looked, indeed, as if the unholy alliance of Radicals and Communists had put any Socialism out of the question.

Certainly the economic situation justified the French people in their demand for fundamental and rapid change. France, protected by the under-valuation of the franc against sterling and the dollar, had been unaffected by the earlier stages of the world depression: 1930 was actually the peak of the trade cycle, a year

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of substantial prosperity. But when this protection was removed by the depreciation of sterling, the structure began to sag, and when dollar devaluation made the franc even more over-valued, and started an outward flow of gold, the structure collapsed. Exports fell rapidly, there were persistent financial crises in which gold was lost and because of which interest rates were kept high, and depression came fast. France was less prepared even than Britain to withstand the effects of an over-valued currency. Here, the combined influences of free food imports, strong trade unions, and the Labour Government's public works policy, did serve to moderate the downward rush of employment. But in France, none of these influences was present. Purchasing power crumpled up under the deflationary pressure of the successive Governments. The heavy agricultural protection kept food prices up, and forced down the industrial workers' purchasing power. Industry for the home market, as well as industry for the export market, came to a standstill. The following table shows the extraordinary downward chute of 1934 and 1935.

## FRENCH TRADE INDICATORS, 1930-36

(A milliard francs is 1,000,000,000 francs, the equivalent of £13,000,000 at the pre-devaluation rate of exchange)

	1930	1934	1935	1936 May*
<b>PRODUCTION</b>				
General index ... ..	100	71	67	73
Textile output ... ..	100	74	76	79
Engineering output ... ..	100	63	60	65
Coal output ... ..	100	88	84	84
<b>EMPLOYMENT</b>				
Numbers employed	100	77	74	73*
Applications for work (thousands)	14	376	466	465
Proportion working short time (%)	5	43	44	36*
<b>EARNINGS</b>				
Total all workers ... ..	100	76	70	—
<b>FOREIGN TRADE</b>				
Exports (value in milliard fr.) ...	42.8	17.9	15.5	7.2*
Imports (value in milliard fr.) ...	52.5	23.1	20.9	11.9*
<b>PRICES</b>				
Wholesale index ... ..	100	68	61	68
Retail index ... ..	100	89	83	86
<b>MISCELLANEOUS</b>				
State railway deficit (milliard fr.)	1.3	3.6	4.1	—
Gold stock of Bank of France (end-year, milliard fr.) ... ..	53.6	82.1	66.3	57.0
Yield of Rentes (end-year, %) ...	3.52	3.82	4.18	4.42
New capital raised by joint-stock companies ... ..	100	19	13	10

\* The figures in this column refer for the most part to the month of May or to the end of the month of May. The numbers employed and the proportion working short-time, however, refer to the month of March, and imports and exports figures and new capital issues are for the first half-year.

This table does cover fairly adequately the whole of the economic structure. Three points, however, must be added.

First of all, the crisis, despite the policy of agricultural protection, had penetrated to the farmer, who is incidentally numerically more important than the industrial worker. Agricultural workers' earnings, according to the estimates of the *Revue d'Economie Politique*, were 23% lower in 1935 than in 1930. The most important section, wheat—which employs two million of the eight million agriculturists—was in desperate plight. The crop in 1935–36 was poor and the price fell catastrophically (thanks to M. Flandin's effort to “free” the market, which the Bank soon brought to an end), so that the total value of the crop, which in 1932–33 was 13½ milliard francs, fell to 6 milliards. In the agricultural areas, therefore, there was as much discontent as there was in the towns, and actually a large number of purely rural constituencies returned Socialist deputies.

Secondly, the national finances were in a chaotic position. Never in the life of the previous Chamber had the Budget been balanced, and the national debt had increased since 1932 by 75 milliard francs. The 1936 Budget, despite the vicious decrees of M. Laval, was balanced only on paper. The “extraordinary” Budget of 6¼ milliard francs for armaments and public works was left to be met by loan. The reason for this chronic Budget position was for the most part structural. Something like two-thirds of the total revenue was swallowed up by debt service and armaments, two categories of expenditure which were almost wholly inelastic. On the other side of the account the French suffer from an antiquated taxation system, partly the result of French deputies' rights to propose new taxes. Thus there are 128 different duties and taxes, and 107 of these are of little more than “nuisance” value, bringing in an average return of some £800,000 each. Consequently the French people do not pay taxes more than they can help, and one gets the rather comic fact that more people possess motor cars than return incomes of more than £135 a year. The taxable capacity of the nation is therefore immensely greater than the present tax returns suggest. And, what is more important, the taxes are distributed inequitably and uneconomically. This is the main reason for the Budgetary difficulty.

And its repercussions, of course, are great. First of all, these deficits have had to be met by borrowing, and the extent to which the Government can borrow on Treasury bills is limited by law. These repeated deficits have thus completely dried up the capital market, and have forced up the rate of interest. Almost the whole of the borrowing on the public market during the last couple of years has been for State and semi-State institutions. The state of the market is best illustrated by another rather comic fact—the lists for the subscription of the last public loan, in December 1935, were closed after a whole month, less than two milliard francs having been subscribed, although the offer was for thirty years at a yield of 5½%. These capital market difficulties



have made it necessary to increase the floating debt in four years by 20 milliards, and the medium-term debt by 32½ milliards. And when the Blum Government arrived in power, M. Auriol, the new Finance Minister, found that the till was absolutely empty. The Treasury had commitments, as far as he could see, of 17 milliards before the end of the year, and no assets to meet them. The limit of borrowing on Treasury bills had been reached, and the previous record of borrowing from the public showed how the State's credit was ranked by the people.

Oddly enough, however, it was this chronic unbalancing of the Budget which was responsible for the slight upswing of activity at the beginning of 1936. The table shows that production and prices were actually higher when M. Blum came to power than they were the year before. The Laval Government, despite its wish to deflate, was being forced in spite of itself to adopt an expansionist policy and this loan expenditure was having its inevitable effect upon internal business. None the less, the position in its essentials was becoming worse. The inflationary price increase was in fact intensifying the over-valuation of the franc (already about 25% in terms of sterling and more in terms of the dollar). Imports were rising while exports were falling, and the deteriorating balance of trade was sapping away the gold reserve and pushing interest rates up higher and higher. This international account position provided an admirable background for the financial crisis which developed while the Government of the Front Populaire was coming to power. Already capitalists were seizing every opportunity to get their funds out of the country—26 milliards of capital had been exported, and 30 milliards of bank notes were being concealed in stockings and London safe deposits. The owning class, in fact, lacked "confidence", and was very keen, scenting devaluation ahead, to make a patriotic penny out of it.

To summarize, therefore, when M. Blum came into power on June 6 there was a financial crisis. There were also a million men and women on strike for better wages and shorter hours. There was also an intense economic depression, the three essential features of which were:—(a) the collapse of the export trade as a result of over-valued currency; (b) the drastic reduction of purchasing power at home, as a result of the keen deflation and the failure of retail prices to fall in sympathy with wholesale; and (c) the stagnation of the capital market and the absurdly high interest rates, as a result of the chaos of the State finances and the pressure on the franc. Finally, the economic structure—notably the banking system and the taxation system, but also (another important fact) the whole make-up of industry on a small-scale and inefficient basis—was in many respects antiquated and quite unsuitable for the operation of a sensible economic policy. Economic progress without radical reconstruction was both difficult and dangerous.

The position, in fact, was about as bad as it could be. The only items on the positive side were, first of all, that the new Government had the overwhelming support of the people and secondly, that the Opposition in the Chamber was temporarily cowed. Against this, however, were the unpleasant facts that the Front Populaire was pledged up to the hilt against devaluation, that its official policy was only Radicalism, and did not provide for a really strong programme of social reorganization, that the only experienced Ministers were Radicals, and that the Senate and the President were certainly unsympathetic to the programme of the Front Populaire. Any Socialism, therefore, that M. Blum could persuade his Radical colleagues to support would almost inevitably be emasculated by the Senate. When we consider the events of the last three months, we must bear these restrictions in mind.

It would take too long to write a chronological account of the measures which the Government has taken. Broadly they fall into five groups. First are the famous Labour laws. Second are the measures to deal with the financial crisis and the crisis of Treasury financing. Third are the measures to reduce unemployment. Fourth is the agricultural programme and fifth are the measures to counter-balance the evil effects of the first four groups. We must leave on one side the nationalization of armaments, because it has been undertaken primarily for political reasons—to ensure peace—and because it is yet only in its first stages.

The Labour laws were the first to be passed. Their primary object was to end the strikes. They embody first of all the principle of the collective contract—workers in any district can demand that the employers negotiate with them a collective contract, including recognition of free trade unions, minimum wages, and procedure for settlement of disputes. These contracts may be made legally binding on both sides by order of the Ministry of Labour. The next Labour law made 15 days' holiday with pay a statutory right after one year's service. The third introduced the forty-hour week. The method of application is fixed by Cabinet decree, after consultations with workers and employers in the particular industries, and with the National Economic Council, a body consisting of employer and worker representatives of each industry. Associated with these Labour laws was the so-called Matignon agreement, reached on June 7 by M. Salengro, the new Home Secretary, with representatives of the Confédération Générale du Production (the French equivalent of the Federation of British Industries) and the Confédération Générale du Travail (the French T.U.C.). It served as the basis for settlement of the strikes, and granted the workers increases of between 7 and 15% in wage rates, apart altogether from what they might get as a result of the introduction of the 40-hour week.

This set of laws is immensely far-reaching. It represents a very high status for the workers—far higher than they have ever



had before in France—but it does present some difficult problems. First of all, if carried out precisely, it means that wage rates will increase by some 35%. The incidence of this upon costs of production, of course, will vary from industry to industry—in the coal industry, for example, it will be very great, whereas in the engineering industry it will be relatively small. In French industry as a whole (taking into account the effect upon the cost of home-manufactured raw materials) the increase in costs will be of the order of 20%. Up to the present, however, this labour legislation has not been put into operation. The application of the forty-hour week does present an immense number of technical difficulties, especially in an economy like the French, in which one worker out of three is employed in a factory with less than ten men. Thus even the Matignon agreements have not yet been put into force everywhere—that is one of the reasons for the new strike wave—and negotiations for the forty-hour week and the collective contract are proceeding very slowly. So far, collective contracts have been signed and made legally binding in metallurgy, banks and coal. For the forty-hour week, only in coal has the decree been agreed upon. In other industries, joint commissions of workers and employers are working out schemes. The employers, as the bitter textile dispute shows, are obstructing and procrastinating as much as they can, even to the point of defying the Government. It looks as if it will be a long time—and it may involve serious social conflict—before the forty-hour week is an accomplished fact.

The second group of laws—for dealing with the financial crisis—is more simple. M. Auriol was able to stop the flight from the franc by announcing that the Government stood firm by its election pledge not to devalue the currency. This, coupled with the Government's firm action against the strikes, brought some of the gold back to the country. The next step was to enact laws compelling people to disclose their holdings abroad, under pain of confiscation and imprisonment. The object of this was to be able to pillory the "patriots" in the Left press, and, more important, to impose a special tax in the event of a return of funds after devaluation (the Belgian Government is now enacting such a tax). M. Auriol gave a period of grace until September 7, and it is perhaps a coincidence that the strongest attack on the franc since June came in the week after September 7. M. Auriol then set about getting Government funds to meet the huge bill which the late Government had left. He sacked the Governor of the Bank, put in M. Labeyrie, a "moderate" Republican, in his place, and reached an agreement with the Bank which in effect gave him power to borrow another 22 milliard francs, partly by non-interest bearing advances, and partly by the issue of more Treasury bills. It looked as if the restricting power of the Bank had gone for good, and that the Treasury would henceforth be able to borrow as much as it liked—*i.e.*, to inflate as much as it liked. The Senate, however, insisted that there should be a definite

limit, and any money which the Government may raise from the public must be used to pay off the Bank's advances. This provision looks rather contradictory. Either inflation is right or it is wrong. If it is right, this compulsion to redeem the advances obviously hinders the expansion policy: if it is wrong, then the Treasury should not be given the power to borrow at all. However, M. Auriol at once came forward with an attempt to raise money from the public—to entice the 60 milliards gold and notes from the hoards—by an issue of "Baby Bonds", one-year and six-month bonds, carrying interest of 4 and 3½% respectively. The issue, however, has not been very successful—something like 4 milliards has been subscribed, and this, of course, has been repaid to the Bank. Meanwhile, M. Auriol was busily engaged in reforming the Bank, in removing the "200 families", and turning the Banque de France into the Banque de la France. The main point of the reform is that the old Council of Regents—elected by the biggest 200 shareholders—now give place to a council of 23, of whom eighteen are appointed by the Government. The actual management is in the hands of a Committee of Seven—the Governor and two Deputy Governors, appointed by the Government, and four other Councillors who in practice have been elected as representing banking, commerce, labour, and cooperatives. The Front Populaire, in fact, has adopted a principle which most Socialists in this country have now rejected, of appointing its public boards to represent the various interests—how it will work out remains to be seen. But the French Government has nationalized the Bank, and the skies have not fallen—that is one lesson for us.

Then we come to the measures against unemployment. So far, these are somewhat nebulous. The main one is a huge public works programme planned on a generous scale. It is planned to spend 20 milliards in three years, and of that, 4 milliards will be spent this year. Such a level of expenditure should at least halve the present unemployment, and, when "repercussions" are taken into account it will probably do more. But it is inevitably slow in beginning, and the Government is evidently trying to make the works of real value. It is planned to spend one-quarter of the money on rural improvement—electrification, water supply, and so on. Another big portion goes for building more schools and improving educational facilities generally. Sporting and tourist facilities are getting their share. Broadly, the Government is trying to avoid the formal road-bridge-drainage type of public works. It appears to appreciate the greater need for a large number of smaller works, well distributed geographically. The financing of these works is inevitably somewhat complicated. The Government intends to borrow the first instalment on medium or long-term. The local authorities, however, will participate in the raising of the money, and special bonuses will be given to authorities which raise funds locally. The contribution of the State cannot in any



case exceed 92%. Great efforts are being made to get the scheme on foot before the winter, but the building workers are already getting a little restive at the delay.

Next we come to the agricultural programme—in some respects the most interesting part of all, and certainly the part in which there is most Socialist principle. The public works programme, of course, is largely directed towards the improvement of the condition of the farming community, but here we are concerned with the agricultural programme proper. M. Monnet, the Socialist Agriculture Minister, has definite and largely original ideas on the subject. So far, he has only tackled wheat, but plans for wine and milk will follow shortly. A National Wheat Board is established, consisting of 29 producers' delegates and 22 consumers' delegates. After each harvest, it compiles crop statistics, and fixes the price for the producers for the whole year. It has the monopoly of imports and exports, and will aim at making the country self-sufficient in wheat but no more. The wheat will be disposed of through agricultural cooperatives, and the farmers will receive advances which will originate at the Bank of France. The price of bread and intermediary products is then fixed in accordance with a somewhat old formula based upon relative prices in 1911-13. Unfortunately the scheme was emasculated by the Senate—originally M. Monnet provided that, if the Board was unable to reach a unanimous decision about the price, it should be fixed by the Minister—a provision which would give a fairly certain State control. The Senate, however, insisted that the decision should be taken by a two-thirds majority. For this year's crop, the Board has agreed to a price of 140 francs, an advance of 80% on last year's price, but one which has not wholly satisfied the farmers. The crop this year is bad, and they think that they would have got more in the free market. The President of the producers' association has resigned in protest. As it is, however, the wheat farmers will probably get  $9\frac{1}{2}$  milliards this year instead of 6 milliards last, so one can put down their disaffection to farmers' grumbling. Even this increase in price has necessitated an increase of 20% in the price of bread. On the whole, it would seem that the Government has done well, and has managed to induce the Board to strike a fair balance. Moreover, the new organization has strengthened the producers' cooperatives and has struck a blow at the merchants—Grands Moulins de Paris, the big milling company, has decided to return one-half of its capital to the shareholders, a fairly sure sign that the Board is a good move forward in the Socialist direction.

That, broadly, is the legislative achievement. The machinery has been prepared for the restoration of purchasing power, and some actual improvement has taken place. Unemployment is falling slowly and railway receipts, for example, are running very much better than they were a year ago. But the problem of the adverse balance of trade and the problem of high interest rates

and stagnation of the capital market are as severe as ever. The adverse visible balance looks like being some 10 milliards this year compared with 5.4 milliards last, and the yield on the Rentes is still as much as 4.57%. The attempt to entice the 60 milliards from their hoards has been only partially successful, and there is a huge amount of prospective expenditure (for example the new 14 milliard rearmament programme and the 20 milliard public works programme) in view. At the same time, the Government is faced by an incipient rise in prices. Wholesale prices in August, for example, were 395, compared with 372 in June and 343 in August 1935: retail prices had risen from 420 a year ago and 461 in June to 477. And the real increase in costs of production—the forty-hour week—has not yet been introduced.

If France were an isolated economic unit, this would not matter very much, so long as wages led in the race with prices. There would be a rapid boom in the consumption industries, followed by a recovery in the capital-goods industries. But France just as much as Britain is dependent upon the export trade. The Government's policy tends to put a further heavy strain on the already depressed export industries, to stimulate imports, and so to induce loss of gold, a further increase of interest rates, a financial crisis, and a sharp deflation (at latest when sufficient gold has been lost to imperil the reserve ratio). This course of events is absolutely logical and inevitable. It was in fact already under way when the new Government took over. Short of devaluation (or exchange restrictions, which are unsatisfactory for a number of reasons) there was only one thing which the Government could do. It could try to reduce prices by bringing down the non-wage costs, and it could subsidise the export trade. The first steps were taken to this purpose. A bill has been passed to fix coal prices—compulsory cartellization was struck out by the Senate. Another and more far-reaching set up a number of committees, under M. Spinasse, the Socialist Minister for National Economy, with the object of supervising prices. The Committee has "umbrella" powers, and can in effect decide what is a fair profit margin, and punish shopkeepers and industrialists for unjustified price increases. It was then proposed to reduce taxation on industry as such. There are something like 20 of these taxes (of which the turnover tax is the chief) and they account for some 22% of the costs of production. Some of them will presumably be replaced by taxes on large incomes. Then it was proposed, by providing "cheap and plentiful credit," to reduce bank advance charges. Bank rate was brought down from 6% to 3%, and advances were given to the extent of the increase in the wage bill at 3% only.

At the same time, the export problem was handled by extending the existing export-credit guarantee scheme, and by offering advances to the value of 35% of the exports at only  $\frac{1}{2}$ % interest. This, however, could only be a temporary expedient. It was



quite clear that when the full social programme became effective it would be necessary to give subsidies to exporters in order to induce them to keep their plants going. Altogether, the outlook seemed gloomy: the Government had put out of court the only method by which it could get a breathing-space—devaluation—and seemed to be embarking upon a hopelessly contradictory economic policy.

Actually, however, things were not as bad as they seemed. Immediately after its election victory, it now appears, the Government began to negotiate with London and Washington in order to bring about a devaluation without the feared concomitant of currency warfare. A number of schemes were put forward, and eventually—in the last week of September—a plan was agreed upon. The franc was to be devalued by an amount which might vary between 25.19% and 34.35%. The actual rate of devaluation was to be fixed at a later date. The British and American Governments agreed not to depreciate sterling and the dollar competitively, and a French exchange equalization fund of ten milliard francs was set up in order, with the British and American funds, to smooth out short-term fluctuations. At the time of writing (September 28) it is expected that the sterling rate will settle down somewhere between 98 and 112—at a 30% devaluation it would be about 105.

The outlook after devaluation is more encouraging. The Government has issued a number of decrees in order to get the full benefit of the monetary upheaval: gold stocks are nationalized (which means that the Treasury will get the profit from the revaluation of gold stocks, and that speculative profit will be limited); the rentiers and the small pension holders will be mollified by the repeal of the Laval "economy" decrees which reduced their income; provision will be made for wages paid by collective contract to be limited to a cost-of-living index number; and food and necessity customs duties will be reduced. Actually, there is little reason to fear an internal price increase *as a result of devaluation*. Only 10% of the costs of production of French industry is represented by imported materials, and in many important foodstuffs, France is self-sufficient. The price increase will come from the wage increases and the agricultural legislation, and it is fortunate that under cover of providing against devaluation price increases, the Government is actually able to provide against the price increases which logically result from its general policy. Tactically, M. Spinasse is very much better able to deal with price increases now than he was before devaluation. It may be "patriotic" for an industrialist to raise prices because wages are rising, but if he raises them because of devaluation, then public opinion will be on the Government's side.

The Front Populaire's position is stronger. But although recovery is now *possible* (as it wasn't before), there are still difficulties ahead. Any Radical non-Socialist Government must

face the same difficulty. A Government of the Left cannot inspire "confidence" in the capitalist class. If there is no "confidence", then employers will not embark upon capital expenditure and there will be no "recovery". If the Government takes economic power and socialises industry, this of course does not matter, for it can expand the socialized plant and so provide the necessary capital expenditure for the upswing of the national recovery. The Blum Government will stimulate a great amount of *public* capital expenditure by rearmament, public works and so on, and this will increase employment and general prosperity. But unless this capital expansion spreads to private industry, the upward movement will not be very great. Devaluation has given a much-needed breathing-space, and has provided the economic background in which revival is theoretically possible. But the employers' opposition to the Government of the Front Populaire is as strong as ever, and M. Blum's ability, and the working-classes' ability, to handle it is the key to the situation. The problem, indeed, is now political and not economic.

## IS SOVIET FARMING A SUCCESS?

DOREEN WARRINER<sup>1</sup>

The process of collectivization which began in 1929 is now complete. In a period of five years eighteen million peasant farms have been combined into a quarter of a million big units, using the most modern methods of cultivation—a social and economic transformation of such magnitude that its significance is difficult to grasp. Most of all it is difficult to appreciate its economic results, for to the official Communist mind the social change is all-important: in fact, from the official standpoint the social change must solve the economic problem: the elimination of capitalist peasants, the combination into big mechanized units, must themselves mean greater economic efficiency. Yet even in a short visit it is possible to see that collectivization is an experiment and not the application of a fool-proof system: original plans are thrown over, vital social principles are waived, in the effort to realize the ideal of progress. It seems essential to refuse for the moment to be impressed by the vastness of the conception and to estimate its results in economic terms.

### I PRODUCTION AND PRICES

First, the effect of collectivization was to reduce the volume of production in its early years. Collectivization represents

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the second stage in socializing economic life and was, in fact, more revolutionary than the revolution itself. By the overthrow of Tsarism the large landowners were expropriated and their land and buildings were in many cases taken over and worked by *artels*—groups of town workers who farmed jointly. These organizations vegetated for years: the bulk of the land remained in the hands of the peasants. Collectivization aimed at expanding these *artels* to include all the peasants. It is inconceivable that this change could have taken place gradually, since the larger peasants' resistance would be insuperable, and in some districts they owned as much as half the land. Consequently when it was decided to socialize agriculture their resistance had to be crushed: they have now been successfully liquidated, *i.e.*, killed, or sent to Siberia. Here it is not necessary to comment on the Webb's plea that these methods were necessary because the Russian peasant was so extraordinary primitive that he could not see the advantage of collectivization. But it must be pointed out that the method was economically a disaster of the first magnitude, because the livestock capital was in a great measure destroyed—that is, the greater part of the capital invested in agriculture. Consequently agricultural production has only just recovered to its previous level. The struggle was evidently terrible: on most of the farms I visited I heard accounts of the burning of crops and slaughtering of livestock in 1931–1933. It is quite certain that the disaster could have been avoided, if the peasants had been allowed to keep their livestock, as they are now encouraged to do. As proof of this it is only necessary to refer to Louis Fischer's description of the brilliant results of collectivization in the small republic of Kalbardo-Balkaria, where the wisdom of Kalmikov allowed peasants to keep their beasts on joining the collective.

The rapidity of the change to collective farming is easily seen when one considers that before 1930 the number of collective farms was increasing by less than 30,000 per annum: in 1930 there were 86,000 collective farms. At the end of 1931 this number had jumped to 211,000, and the percentage of farmers' families under the collective system had increased from 23.6 to 52.7. By 1935 there were 4,364 machine tractor stations as against 158 in 1930.

The food shortage of 1932–1933 is over, and no actual starvation now occurs. Output of bread crops has increased since 1933, but it is said that meat and dairy products will not recover to the 1928 level until 1938, owing to the enormous decapitalization. Prices of these products are accordingly high. In June 1936, bread was one rouble (10d nominal, 2d actual, exchange value in sterling) per kilogram (2.205 lbs). Butter was 22 roubles in Moscow and 17 in Rostov per kilogram, margarine 10 roubles. Milk was 1.30 roubles per litre (1½ pints) (best quality, pasteurised), cheese 22 roubles per kilogram, eggs 4 roubles per 10. Sugar was 3.80 roubles per kilogram. Meat (sausage) was 28 roubles per

kilogram, and tinned chicken 7.15 roubles for  $\frac{1}{2}$ -lb tin. These prices are those prevailing in State shops. Peasants sell butter and milk on the open market at slightly cheaper rates—butter 15 roubles per kg and milk 0.80 roubles per litre.

At the present rate of exchange (25 roubles to £1) this is enormously high: but the actual purchasing power of roubles is about one-fifth of exchange value. Calculated on this basis bread and eggs are cheap, but butter and meat dear. (Fresh meat is not apparently for sale.) The consumption of meat and dairy products must be very low, as the average wage for U.S.S.R. (their figure) is 200 roubles a month. The food situation certainly is not as good as it was before collectivization; questions which I was frequently asked were "What is the price of butter in England?" "Do the workers eat meat?"

It is evidently too soon to speak of the collectivization as a successful economic policy, so far as agricultural production is concerned. Its main object, however, was not so much to increase the food supply but to maintain agricultural production as workers move into industry—that is, to increase output per man. Although in theory the aim was to carry through the principle of the revolution on the land and to liberate the peasant from capitalism, its real aim was to fit agricultural production into the industrialization drive. This could only be done by rapid mechanization, and by reducing the incomes of workers on the land: if earnings on the land were increased there could obviously be no increased employment in industry. For this policy, the technical and social transformations were inseparable: clearly there can be no control of earnings if capital exists only in the form of wooden ploughs and oxen.

From this standpoint, it is successful. Output per man, so far as grain production is concerned, is certainly increasing. The main reason is not increased production per acre, but an enormous extension of the cultivated area. Twenty million hectares of arable land (an area bigger than the agricultural land of England and Wales) has been taken into cultivation since 1928. So far as production of meat and dairy products is concerned, output per man has probably declined. The efforts to reconstruct livestock capital by artificial insemination cannot take effect for a long time to come.

How fast the rural exodus is proceeding can not be estimated because the number of workers on the land will not be known till the next census (1936). It seems quite possible that the percentage of agricultural workers has declined to 60 per cent.

As it is impossible to get any figures about changes in output per man for different types of farming, I will indicate what sort of technical progress has been made on the basis of personal observation. In the first place, it must be realised that collectivization tackles two quite distinct problems—one, the transformation



of the peasant village into a mechanized farm, and the other, the cultivation of completely new areas where no villages existed.

In the Northern districts, only the first problem emerges. In the provinces between the Polish frontier and Moscow, the bad level of cultivation is extremely striking. Crops are poor and light and uneven, obviously suffering from lack of manure; in places weeds are excessive, occasionally last year's crops are still standing. (This I was told was much more frequent two or three years ago.) In these Northern provinces agriculture is very extensive; stretches of poor pasture take up about one-third of the area, uncultivated and probably not worth cultivating: odd cows graze at intervals. The arable is poor rye and potato land (average yield of rye 1.7 quarters to an acre). In part no doubt this state of affairs is due to destruction of livestock, which deprived the soil of its natural manure. To make good the loss by artificial fertilizers is at present impossible, as the greater part of the supplies—which are quite inadequate—are sent, under the Plan, to the cotton and flax growing districts in the South. The Northern districts have therefore gone short—which is inevitable if the policy of treating food supplies as secondary to individual production is consistently followed.

The impression of bad farming is probably not due, however, entirely to the Plan or to collectivization. In these districts before collectivization agricultural technique was very much more primitive even than it is in Eastern Europe. The three field rotation still existed, winter crop, spring crop and fallow—with no root or fodder crops, and consequently yields per acre were very low. This rotation is all but extinct in Europe: in general root crops and green fodder-crops were introduced in the latter half of the nineteenth century. To make the transition to modern rotations peasants needed a big increase in livestock to get the winter crops in, in the short autumn and to provide manure for the fallow. The tractor does one but not the other—the winter sowing can be done much more quickly, but this alone without an increase in the supply of livestock will not go far to raise yields per acre. To skip a century in technical progress by introducing tractors is impossible if the livestock is simultaneously destroyed. Hence it is not surprising that the level of cultivation is not noticeably higher (and in the opinion of many observers lower) than before collectivization. To plough right across the separate strips—to get good quality seed and sow better and uniformly—to speed up the ploughing processes and plough deeper—would mean enormous progress if adequate fertilizer supplies were available. It must be remembered that much of the district has the same sandy soil as Poland and East Prussia—not worth farming without very intensive use of manures—hence the deficiency of manures is catastrophic, as elsewhere it is not.

In the South the picture is entirely different, which may

explain why foreign observers give such diverse accounts of collective farming. In two great corn producing areas, Ukraine and the North Caucasus, tractor cultivation alone means an enormous advance, and the destruction of livestock has been less disastrous.

On the steppe tractor cultivation is indispensable. There are vast areas formerly almost uncultivated sparsely inhabited by Cossacks. Their resistance is now crushed, and settlers from Ukraine and White Russia put on collective farms. In this district I saw two collectives, mixed dairy farms. In view of the quality of the soil and the proximity of Rostov it was bad farming (yields 9dz to the hectare or 1.7 quarters to an acre), but the state of the fields was better than in the North. The amount of livestock kept was small, the cows poor, the milk yields low, and the dairy equipment primitive (though with only well water it can hardly be otherwise). There were not enough tractors to get round the work.

Artificial manures have been used this year for the first time. With better root crops and adequate tractor equipment they easily ought to double their milk and wheat production; and readily agreed when I suggested the possibility.

The future possibilities can better be seen on the state farms (Sovchozy) in this district. These are quite distinct from the Kolkhozy; they exist mainly in districts where no villages existed, and consequently were not hampered by social resistance. The workers are in the same position as industrial workers, that is, have not the same status as the collective farmer (ambiguous though that is). Some, like Zernograd, which I visited, are experimental stations and training schools for the new generation of tractor engineers, as well as farms. These farms own their own tractors and combines.

Zernograd<sup>1</sup> is a town of 6,000 people, isolated in the bare steppe and surrounded by mirage. Its area is 29,000 hectares (71,000 acres); it was originally four times the size, but this proved unmanageable "even by aeroplane", so it was divided into four farms. This is, of course, prairie farming, with little livestock and no roots or green crops. They sow grain continuously, two years winter wheat, two years spring wheat, with the fifth year fallow. (The bare fallow, well cultivated in the state farms, is usual in the province.)

The tractorists on the farm (and in the whole Union) are among the highest paid workers (excluding the scientific). The farm is a training station for tractor engineers, and it is interesting to note that these are predominantly drawn from the town proletariat

<sup>1</sup> Zernograd (*The City of Grain*), North Caucasus.

Area	Total Population	Workers	Management	Institute	Students
29,000	6,800	200	800	1,000	600
Sales. Total Sales to State 12,000 tons of grain, price, 130 rubles a ton (= £60,000 at exchange rate).					



and not from collective farm peasants: of 653 students in the institute, 509 are workers, only 30 of peasant origin.

The average wage is 400-450 rubles per month (£16-£18 at the exchange rate, £3-£4 in purchasing power) and in addition to this workers receive 2,000-5,000 kilograms of flour, and keep their own cows.

Although the relation of costs and prices gives no true indication of whether this farm is working at a profit (the price of petrol is fantastically low, and also the machinery), there cannot be much doubt that it is. If they produce 17 dz. to a hectare (3 qrs. to an acre) with no manure and with an average area per tractor of 1,000 acres and wages of £3 4s. 0d. a week they can presumably produce wheat at the world market price.

Ukraine is a complete contrast to the steppe: evidently well farmed for generations; densely settled with its enormous villages and mud cottages scattered over the fields (as a result of the Stolypin reforms). Farming is incomparably better than in the north, big areas under vetch, sainfoin and luzern, and superb crops of wheat and rye (last year 5 qrs. to an acre, this year 6½) and sugar beet. The livestock are few but good. Simmental cattle, good local pigs crossed with Large Whites; with its bees and cherry orchards and gardens it is wholly European in character.

Here agricultural progress is not a matter of breaking up the soil, but of seed selection, animal breeding, and scientific feeding. I visited two farms, one specializing in pigs, the other in livestock. Here the inequality in machine equipment was striking: one had 1,911 hectare and only one tractor (the Dawn of Victory) and the Red Dawn 1,000 hectares and 4 tractors. The Dawn of Victory was well farmed with magnificent crops, by Ukrainian peasants, the Red Dawn (a commune which failed and was divided into four collective farms) by a hard boiled set of refugees from Bulgaria, Poland and Macedonia, and seemed extremely chaotic with machinery lying about the yard unprotected in heavy storms. The large amount of capital in horses and oxen is evidently no disadvantage to the Dawn of Victory and suggests that for their conditions it is better to supplement tractor work with horses and oxen and use more manure. The Wisconsin silo is used on all farms—newly built.

On the technical side the really impressive thing is the close connection between the scientific worker and the farms. This is mainly the work of the two Agricultural Institutes at Poltava. One institute works on grass crop cultivation; Rabinovitch experiments with vetches to flower at different dates under different light and temperature. The other institute, under Professor Lewitski, researches on pig feeding. All farms in Ukraine and many in other parts of Russia now use his method of fermentation of food. The collective farm mechanism undoubtedly gives the opportunity of introducing better methods. On each farm there is an agronomist with some technical training, and many farms have a laboratory

where experiments in seed selection, dates of sowing, manures are conducted. Thus farmers get a much stronger guidance from scientific workers than they do in any European country, and are acquiring a more experimental attitude.

## II THE SOCIAL ORGANIZATION.

As an institute the Kolkhoz is hard to classify. Usually it is the former peasant village with five hundred or more inhabitants and one or two thousand hectares. It is not in any intelligible sense a co-operative, nor is it fully socialistic. It is difficult to understand how the land is owned; and in the minds of my informants it certainly was not clear. Recently a new law has been passed which gives the land as collective property to the collective farm (i.e., to the former peasant village, minus the intransigents) as a perpetual lease. This appears to mean that the collective cannot forfeit the land to the state, nor can the collective sell land. Thus the village owns jointly what it previously owned as individuals. The bulk of the capital, however, the big machinery such as tractors, combines and plate harrows, is not owned by the collective farm, but by Machine Tractor Stations (M.T.S.) which exist in every district and serve about thirty collectives each. (At present not all farms are served by M.T.S., and some of those I visited were in possession of their own tractors, but this is a temporary phase.) Livestock and smaller machinery (drilling machines, harrows, horse-ploughs are the property of the collective farm, as are also the buildings, usually the old buildings of the landowners' estate with additions and improvements. But much livestock is individual property: each peasant has the right to keep a cow, a pig or two, poultry, and a garden. On most of the farms visited the individual cows out-numbered the collective cattle.

The communist standpoint is of course that the collective is "a higher form"—meaning that it is absolutely better than individualism—apart from its technical advantages. They distinguish between the "artel" in which some private property is retained, and the "commune" in which *all* property is socialized. This form they attempted to introduce without success: the attachment to pig and cow proved too strong even for Stalin, and after many attempts have failed, "The commune" he reassures them, "is premature". Some examples, like the Seattle Commune, near Rostov, remain. It appears that there is within limits a return to individualist ownership, for the purpose of increasing livestock production. A decree has just been issued to give credits to individual peasants to enable them to buy cows, pigs and sheep from the collective: and the management of the farm *must* act on this decree.<sup>1</sup>

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<sup>1</sup> Credits are to give each individual farmer means to acquire 1 pig, 25 sheep, 1 cow and 2 young beasts.



Thus the system is not complete socialism. How much control of management do the collective farmers exercise? The degree of management has to be compatible with, first, the requirements of the Plan as to crop production, second, with the use of the tractors from the Machine Tractor Station.

The Plan, it must be understood, does not cover agricultural production as such. Agricultural production is planned to a much less degree than in the U.S.A. or in Germany. From time to time resolutions are made saying "we must aim at producing so many tons of sugar beet per hectare", but *total* production is not decreed. Only the output of tractors is included in the Five Year Plan, and some special crops like cotton and flax, for industrial raw material. According to two foreign observers, the agronomes are the real entrepreneurs, as indeed they must be, since they control the use of the machine capital.

Hence one is sceptical as to whether there is much scope left for collective action. The disposal of the product is, within limits, a matter for them to decide. A certain proportion of the crop—about one-third must be sold to the State, and 600 litres of milk from every cow: pedigree pigs also, on the breeding farms. The remainder they can sell (collectively) to the cooperatives or can divide among themselves or invest in the farm. As they are apt to invest too much in the farm, a provision has been introduced in the Statute of Artels by which not more than 10–20% of the product is to be invested. So the essential decision is the same as that of an ordinary agricultural cooperative—*i.e.*, how much dividend, how much investment. The Party members are, of course, the driving force. The peasants who would have been the leaders in cooperative enterprise, the Kulaks, are not there.

### III INCOMES AND STANDARDS OF LIVING

To discuss the effect of collectivization on the standard of living of the rural population is difficult indeed. In a country where the housing shortage is still so acute, and which has only recently emerged from famine conditions, no one can possibly think of their income as entitling them to minimum diets or minimum housing space: Though manufactured goods, cotton shirts and dresses, canvas shoes, are now purchasable, their prices are so high that consumers cannot possibly form habits of regular purchase. Thus it seems better to speak solely of earnings per worker, and to distinguish between special classes of skilled workers and the ordinary agricultural workers who were formerly poor peasants. The tractorists get high wages (500 rubles a month = £20 at exchange rate, £5 at one-fifth of exchange rate); they are paid by the machine tractor station and their wages have no relation to the amount or price of farm production: the wages of the "collective farmers", on the other hand, vary with the amount and price of output of their own farms.

Are they better or worse off than they would be as individual peasants? The only way of answering this question is to compare their earnings with that of peasant farmers in European countries, and in making such a comparison it is difficult to distinguish the effects of collectivization from the effects of natural conditions. In all agricultural countries which are mainly self-supporting the condition of the worker on the land is determined by the density of population, quality of the soil and proximity to the market to a much greater extent than by the size of the producing unit or the nature of economic organization. For instance, a peasant in Ukraine, under whatever system he worked, ought to have a bigger income than a peasant in Galicia, or in the marsh and sandy soils of Polesia: population does not move about enough to equalize incomes between districts.

The following table shows the number of workers actively engaged in agriculture at the last census and the average production per hectare in Russia, Poland and Germany. Calculated from these figures, the average gross output per man would be 500 kilograms in Russia, 250 kilograms in Poland, 550 in Germany.

PRODUCTION PER HECTARE AND POPULATION<sup>1</sup>

	Total No engaged in agriculture	Cultivated area according to nature of cultivation	No. actively engaged in agriculture	Average yield per ha of 4 chief corn crops
	(in thousands)	(thousand ha)	(per 100ha)	Years 1928/32
Russia ...	71,735 (1926)	441,277	16.2	8.2
Poland ...	10,968 (1931)	24,100	45.5	11.3
Estonia ...	411 (1922)	1,819	22.6	11.1
Finland ...	1,032 (1920)	5,722	18.0	14.0
Hungary ...	2,127 (1920)	7,184	29.6	13.0
Germany ...	9,344	27,338	34.2	19.1

Costs are difficult to calculate, but it can be assumed that there is no great contrast between the East European countries and Russia. In Germany costs are certainly much higher, owing to the large numbers of livestock which are fed: but the net income is undoubtedly much higher than in Russia, owing to the importance of sales of milk and meat. On this basis the net income of the peasant in Russia before collectivization was higher than that of the peasant in Eastern Europe, because output per man on an average was higher.

This, however, does not take into account the purchasing power of the produce. In the peasant countries of Eastern Europe the proportion of products sold varies from 20% to 80%, and is

<sup>1</sup> From Poniatowski: PRZELUDNIENIE WSI. p. 54.



determined by the market price, on the basis of some sort of utility calculation.

In the Soviet Union there is no calculation of this kind. Farmers are forced to sell a large part of their produce on very unfavourable terms. This of course is necessary to the Five Years Plan: if the pace of industrialization is to be forced, the level of agricultural earnings must be depressed in relation to industrial prices: some degree of exploitation of the peasant is essential to its fulfilment. In Eastern Europe industrialization is forced in essentially the same way, by imposing tariffs on manufactured goods so that the peasant exchanges his product on worse terms, but with the difference that he is free to retain his produce if industrial prices rise too high: in Russia he is not.

The method of fixing the grain delivery is as follows: Each farm must deliver a certain quantity of grain, a fixed amount per hectare, and in return they receive a low price. As a political measure this is wisely calculated, since it is not a tax on production; if more is produced, the farm retains it, and a price is given. Thus the proportion delivered varies from farm to farm: in general it is about one-third of the total. The present price is 11—12 rubles per dz. What remains after the delivery either may be purchased by the State, sold in the market or retained for consumption. If sold, it is marketed to cooperatives, also at a controlled price, but this price reflects more or less the state of the market and may be ten times as high as the price paid for the State grain delivery. The amounts received (120—180 rubles per dz) are very low and consequently farmers do not sell much in this way.

The following table shows the distribution of farm produce.

#### DISTRIBUTION OF PRODUCTION

(Schiller, from Official Statistics).

	1932	1933*	1934	1935
Harvest in ear ... ..	699	898	894	920
Grain Losses ... ..	179	258	214	170
Granary Harvest ... ..	520	640	680	750
Grain sold and Delivered ... ..	197	252	282	315
Grain Supplies ... ..	323	388	398	435
Compulsory Grain Deliveries ... ..	188	227	226	255
Sales ... ..	9	11	43	50
Other Deliveries ... ..	—	14	13	10
Total Sale and Delivery ... ..	197	252	282	315
Per cent of Statistical Harvest ... ..	28	28	32	34
Per cent of Granary Harvest ... ..	38	40	42	42

\* In 1933 the basis of official statistics was changed.

The town proletariat until now has taken a bigger share of food from the agricultural population than they would have been able to do under a price system. Obviously the standard of the

farmers has not risen, except in so far as production has increased. The table shows that grain production is increasing rapidly from the low level of 1930, but as agricultural production in general has decreased it is clear that so far collectivization cannot have improved the position of the workers on the land.

Of course, as the volume of industrial production increases, the ratio must change in the farmers' favour or there will be no market for the industrial products. This stage has now been reached: the State is trying to pump back purchasing power for industrial products on to the land, and the State price for wheat has been raised recently. As things are at present the Russian farmer is certainly not so well off as the peasant in Poland on the basis of purchasing power.

Thus the physical output per man is certainly higher in Russia, the value in terms of industrial products certainly lower. Is the output per man sufficiently high to compensate for the low purchasing power of wheat? To make an estimate it is necessary to calculate the earnings of a peasant farmer or an estate worker in Poland in the same way as a Russian worker, i.e., to take the gross product and assume that one-third is sold. The only figures for earnings which I have for Russia were obtained from the farms I visited, which were all in the neighbourhood of industrial towns, and all (except Moscow, one whose figures I distrust) on extremely good soil: thus they are much above the average.<sup>1</sup>

The figures for comparative gross incomes per worker are as follows: In wheat and rye, on Ukraine collective farms near towns, 900 kilograms; on three Polish farms—peasant with 5 acres in a remote village (Broniszow), peasant with 5 acres in a village close to a town (Albigowa) and workmen on an estate in Central Poland, respectively 750, 850 and 1,400 kilograms. In money, the respective earnings were 600 rubles (120 zloty), 135, 171 and 120 zloty.

Thus in good conditions in Poland where yields are high, and the number of cows kept per worker is higher, the income is higher also. In the poor Galician village it is lower. This is on account of the better prices obtained: on the good peasant

<sup>1</sup> The method of calculating income on collective farms needs explanation, as it is a complicated method of piecework and profit-sharing. Earnings are calculated "per labour day". This is an abstract term, referring not to a real day but to an amount of work. On each farm certain pieces of work—ploughing a certain area, cleaning stables, milking cows—are described as labour days, so a tractorist can do three labour days in 10 hours, an old man who watches the orchards takes several days to count one. At the end of the year each worker has a total of 250–450 "days" to his credit. This determines the *ratio* in which total production is divided among producers: if the total production is 900,000 kilograms (9 dz per hectare  $\times$  1,000 hectare) and there are 300 workers, each with 300 days to his credit the total is divided by 9,000: and this gives 10 kg per worker. About half is sold to the state as grain delivery or in the market, which gives the income in money—2.4 roubles—and the remainder, 5 kg, is consumed. Each worker gets 2.4 roubles and 5 kg multiplied by the number of labour days to his credit.



farm the physical production per worker would be lower than the Russian.

In the Russian farms and less remote Polish villages there is no starvation, if they obtain this rate of income. However the food supply is not adequate from a nutritional standpoint. Not more than 50—60% of Polish peasants can afford to eat their own pig. The typical dietary is 3 meals a day with the same constituents, sour milk, cabbage, potatoes, flour dumplings, a diet very deficient in sugar and meat and fat. On the Russian farms it is certain that meat consumption is not now much higher.

Over the country in general, apart from the state farms where a new generation is learning new jobs, there cannot possibly have been much improvement in earnings as compared with the pre-collectivization period. Looking at the achievement to date, it seems surprising that food prices should be higher and incomes of agricultural workers lower in a country which has gone over to big units and mechanized production, than in countries which carry on the old methods under all the drawbacks of the strip system. The reason is that the method of carrying through the change was violent and sudden: destruction of livestock inevitably means a decline in production for a long time, the industrialization drive must mean a low level of agricultural incomes. Under any system, it would be impossible to increase the volume of production in agriculture and raise the income of workers at the same time as decapitalization in agriculture and forced investment in industry are occurring on a large scale. For the present, like the Russian countryside, the policy is "too vast to admit of excellence" but there is no doubt that in the future there must be an increase in food supplies and a rise in the standard of living. From the standpoint of a country with a rapidly increasing population and a policy of self sufficiency, it has been the only course to take.

Collectivization is an attack on the main problem of European agriculture. In all countries with small peasant proprietors and much arable land the transition to new large scale methods encounters great obstacles: in the West of Europe these obstacles are mainly economic. Tractors as a rule mean a bigger investment than is worth making, unless they can be completely substituted for horses: and under mixed farming conditions this is not practicable.

To the communist mind it is, of course, impossible to contemplate the introduction of more efficient methods unless all the old institutions of village life are destroyed. "Historical thinking" would probably show that collectivization is not so revolutionary as it appears: the elements of collective farming were present in the *mir* and in the *zemstvo* agronomes in pre-war times. But in spite of this, the prevalent Soviet mixture of cynicism and naivety about progress seems natural enough when one has seen Polesia, in every way pre-war Russia: it seems impossible to expect any advance without much compulsion or destruction of old habits of life.

They are clear that the present state is not socialism : collective farms in some sense own their land and peasants get higher incomes on the better land. The ultimate ideal is to urbanize agriculture completely, to assimilate *Kolkhoz* to *Sovkhoz*, and make agro-cities with a town proletariat. It does not seem likely that there will be a return to individual farming. The increases in productivity in the Caucasus and Ukraine may be so great that they will suffice to feed the Union so that the poor soils of the north can abandon rye and wheat. In pre-war Russia such a possibility of plenty could not even be contemplated. The critics of communism can easily point to instances of uneconomic use of the factors of production : such wastage indubitably occurs. It cannot be doubted that the tractors, for example, are less economically utilized than they would be under a price system : but it cannot be doubted either that under a price system the tractors would not be there at all. Only through collectivization is it possible to develop the agricultural resources of the Soviet Union in such a way that the problem of their economic use arises.

## CRISIS AFTER THE BUILDING BOOM?

COLIN CLARK<sup>1</sup>

Most people's minds are at the moment so occupied with the prospect of war that they have very little thought to spare for the other evils which still afflict the human race. In the ordinary working out of economic forces, we are now getting into a situation which will make a financial crisis very probable in the not too distant future. There have been recently a number of warnings issued from different sources : the *Westminster Bank Review* in a recent article<sup>2</sup> voiced a certain uneasiness as to the continuance of the present boom conditions : and to several references to the danger of crisis on the City pages of national newspapers has been added the unequivocal warning of the Chairman of the Unemployment Assistance Advisory Committee, Sir William Beveridge, that we may expect a substantial increase in unemployment over the next three or four years. Of course the economic situation and the political situation are bound up together : and the outbreak of war would almost certainly involve a financial crisis and a moratorium in all the principal centres. But in the countries not directly involved, and not having particularly close trading relations with belligerent countries, this financial crisis would be as shortlived as was that of New York in 1914.

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<sup>2</sup> *Westminster Bank Review*, August 1936, "The Industrial Outlook".



The kind of financial crisis into which Britain is now in danger of falling (and with Britain the Scandinavian countries, South America, the Dominions and other countries which have close financial and trading relations with us) arises out of the boom economic developments which are now taking place. (Though I do not wish to be understood as giving support to the view held by some economic theorists that there is any inevitable sequence by which a period of expanding incomes and rising prices leads necessarily to crisis and slump: it is just that it generally happens sometimes in one way, sometimes in another.) In the complex situation in which we now find ourselves, there are three outstanding features which may be considered as potential (if remote) crisis-makers:

- (1) Adverse trade balance;
- (2) Related to (1), the possibility of a drain of gold and restriction of bank credit;
- (3) The collapse of the house-building boom.

These factors are, as said above, potential crisis-makers, though in some cases we may find the infection to be present only in a mild form, and likely to disappear.

So far as the history of trade cycles goes, there is one factor which can be regarded as an almost certain crisis-maker, and that is increasing costs and declining efficiency of industry as the boom progresses. I cannot put this as No. 4 in the above list, for the reason that in this boom, whatever may have happened at other times and in other places, there is no sign whatever of this trouble. In fact the reverse. In the industry in which the boom has been most remarkable, namely the building industry, costs of production have actually fallen in spite of an increase of wages. The efficiency of the industry has increased remarkably, and is still increasing. In other industries, costs of production are now lower than ever, in spite of increases in wages which have taken place. The average output per worker employed in industry has increased by no less than 20% in the last four years—a most astonishing increase, but the end is by no means yet in sight. Under these circumstances, the only danger of disequilibrium to which the economic system is likely to be subjected is the danger of indigestion—the accumulation of big sums out of profits which cannot be spent or invested—rather than the danger of rising costs making further investment or increase of output unprofitable, which has been the development in trade booms of the past.

From this point it is convenient to take up the subject of the building boom, looked at in its wider aspects. Not only does this boom directly provide employment for a large number of workers in the building and building materials trades. What is perhaps more important, it provides an outlet every year for an enormous volume of savings which by devious routes find their way into the construction of dwelling houses.

The terminology on the subject of savings and investment is very confused and is not at present properly agreed among economists themselves. The following however, can be stated as a sort of common measure of agreement—namely, that any period of trade expansion is generally found to be based on the development of some new investment-opportunity, and that if this is taken away, or diminished, there may arise a tendency for savings to be accumulated without possibility of profitable outlay, and that such an accumulation of savings may have an injurious effect on the whole economic system.

Though some economists might not be willing to state their conclusions precisely in the form in which I have stated them above, there will be found none to deny the fact that the building boom has hitherto been by far the biggest element in the economic upswing in Britain in the last four years. Going a little further, we can establish the contention that if this outlet for new capital investment is stopped up, and if the rate at which savings are being accumulated is maintained or increased (which will be the case), then a slump spreading into all industries will probably be the consequence.

The stark fact, of which 99 people out of 100 are unaware, is that no man sitting down to reckon in cold blood the costs and probable returns would now build a house. If he made a careful estimate of the rent which it was likely to bring in in future years, and took into account on the other side maintenance costs, price of building land, and rate of interest payable on mortgage, the laws of arithmetic would soon show him that there was no profit in it.

Unfortunately, or perhaps fortunately, the ordinary man does not build (or buy) a house under these conditions. He does not try to estimate the future letting value of his property and he is often (at first) unaware of the existence of maintenance costs. He is generally in a condition where he is completely addled by Building Society propaganda about "Own your home" and "Why pay rent?", and as a result pays a price for the house which is far above its true economic value. Hence the building boom.

This will go on till the supply of "mugs" is exhausted. The boom in fact is now gently on the turn. But once the building of houses starts to fall rapidly, it will be a cumulative fall. For there will be a heavy fall in prices of house property. Many people who are purchasing their houses through Building Societies will leave, finding it cheaper to rent a house elsewhere. This will mean that a great number of houses will be thrown on the market at once, and there will be a further heavy slump in property values. The Building Societies will get into financial deep water.

So much for the building crisis, which cannot be long postponed. The other two crisis factors—namely, the adverse balance of trade



and the possibility of credit restriction—are closely linked together. For this reason, that in spite of the suspension of the gold standard in 1931, many of the old rules-of-the-game still have to be observed. The Bank of England is not allowed to print as many £1 notes as it thinks necessary for the requirements of trade (even assuming that it wants to). The note issue is in the long run still based on the gold supply, which depends on the international trading situation of this country.

The Bank Act of 1844, as amended by the Currency and Bank Notes Act of 1928, remains in force. Under these Acts the Bank of England is allowed a limited fiduciary issue, but beyond this each note must be backed pound for pound by gold. The fiduciary issue can only be increased by Treasury Minute, which the Bank regards as an internationally embarrassing or inflation-indicating procedure. Owing to the depreciation of sterling, the Bank of England have to buy (as they are doing now) an ounce of gold for £7, against which they are only allowed to issue £3 17s. 10d. worth of notes.

The Bank's preoccupation with the working of these rules has already caused a squeeze during the past summer, when the cash reserves of the joint stock banks fell to 10.3% of their liabilities—far too low for good banking practice. They have subsequently been raised by the Bank of England's gold purchases, but with rising demand for cash as trade expands, the same trouble may well recur. Gold can only be imported into this country by the Bank of England, the Exchange Equalisation Fund, or by anyone else, if there is a favourable balance of payments (taking payments on income account and on capital account together).

At the present time, prices and profits in Britain are rising so much more rapidly than in other countries that there is a considerable and growing excess of imports over exports (visible and invisible taken together). This has been more than counterbalanced, up to the devaluation of the franc, by the flow of foreign (particularly French) capital into England. Some at least of the capital we have thus acquired will be repatriated as the disturbance caused by devaluation dies down—the effect of this will be to aggravate the growing excess of imports over exports and make our position worse in proportion to the extent of the repatriation.

There is rather an ominous parallel in this to the history of the years 1926–31. At the beginning of the period French capital, and also capital from other European countries, was flowing rapidly into Britain. In a year or two, after stabilization of the continental currencies, the capital outflow started. Combined with an adverse balance of trade, this led to—1931.

# LABOUR AND WAR RESISTANCE

## FOREWORD

As Chairman of the International Section of the Bureau, I have been asked to write a brief foreword explaining the origin of the following symposium on war resistance. Some months ago the Bureau published a pamphlet with the title: "Labour and War Resistance". The pamphlet analyzed the existing international situation as it was left by the successful aggression of Italy against Abyssinia, and as a result of that analysis it put forward proposals with regard to the future policy of the Labour Party on the League and war and peace. Those proposals may be summarized as follows:—

- (1) Rehabilitation of the collective security system ;
- (2) A demand that the Government shall adopt (1) as its policy and show its good faith by ratifying an all European treaty of non-aggression, arbitration and mutual assistance ; nationalizing the arms industries, and passing a Peace Act of Parliament ;
- (3) An intimation that, unless the Government gives the guarantees of its adoption in good faith of a real policy of collective security, as defined in (2), the Labour Party will adopt a policy of war resistance by refusal, in the event of war, to serve in the armed forces, perform work of national importance, or pay taxes.

Doubt was expressed by some people as to the wisdom or propriety of the Bureau publishing this pamphlet on the ground that the policy put forward in it might be taken to be that of the Bureau. The reception of the pamphlet has probably already dissipated those doubts, but it is worth while to point out that the primary object of the Bureau is research and that it therefore has no collective policy other than, in its own words, that of "encouraging among socialists a high standard of free and independent research". It published the pamphlet because, in its opinion, it "embodied facts and opinions worthy of consideration within the Labour Movement". The reception of the pamphlet, as I say, has already proved its justification and the subject and proposals are so important that it has been decided to give space for discussion of them in the Bureau's magazine. That discussion will be found in the symposium of views which follow. It will be seen that views as to the desirability or feasibility of the proposed policy differ: my own, for what they are worth, coincide pretty closely with those of Mr. Gaitskell.

LEONARD WOOLF

# AGGRESSION AND WAR RESISTANCE

HUGH GAITSKELL

With a large part of the pamphlet "Labour and War Resistance," few members of the Labour Party will disagree. The description of the present international situation, the account of the British Government's responsibility for the rapid drift to war—all this is scarcely open to criticism. Furthermore the author's conviction that peace can only be maintained by the formation of a "Peace Group" of European countries within the League, which will adopt a complete policy of pooled security against those powers which choose to remain outside, will also be widely shared.

When, however, in the last few pages of the pamphlet, Covenanter discusses the problem of how to get this policy adopted by Great Britain even though the Labour Party is not in office, he raises questions of a much more debateable character. The adoption of Covenanter's proposal by the Labour Party would, I believe, lead to consequences of a very different and far less desirable character than those which he appears to anticipate. What these consequences will be can only be fully appreciated if we consider carefully and concretely where the next war is likely to take place, what alignment of powers on each side may be expected and what the attitude of the present British Government is going to be when war is actually imminent.

Covenanter would probably agree that the powers which menace world peace today are the three Fascist and Militarist states—Germany, Italy and Japan. He would probably also agree that since Japan is at present apparently held in check by fear of the U.S.S.R. in the Far East and Italy has recently fought a successful colonial war, the next attack will most probably come from Germany. This attack will almost certainly be in an Eastern or South-Eastern direction, aimed at Soviet Russia, via either the Baltic States or Czechoslovakia and Roumania.

If Germany attacks Russia in Europe, it is likely that Japan will feel strong enough to attack in the Far East. If the Fascist states win then reaction will have triumphed and the repercussions will be felt all over Europe. It is also possible that the West will be involved in this war. Whether it is or not will depend primarily on the attitude of France, which will itself be partly dependent on the line adopted by Great Britain. If France remains true to the Franco-Soviet pact and her alliance with Czechoslovakia, then war will not be confined to the East. It is possible that Germany will assume—as she did in 1914—that France will fight and will decide to strike the first blow in the West herself.

The scale of the war will be enlarged, but its character will



remain the same. On one side will be ranged the Fascist, reactionary states, on the other the socialist and democratic. It is difficult to imagine any British socialist feeling indifferent as to the outcome of such a war.

What, however, is likely to be the attitude of the British Government in this situation? Covenanter himself gives us the answer. "The Government's foreign policy revolves around the problem of how best to prepare against the contingency of war with Germany. On this question there is a conflict of views. Mr. Churchill . . . wants to encircle Germany completely by enlisting Communist Russia as well as Fascist Italy in the anti-German coalition. But the great majority of the Conservative Party and of the vested interests behind them fear and hate Communism so much that they want to combine a 'Stresa front' alliance against Hitler with a bargain that will give him a free hand for aggression and expansion in East and South-East Europe".

In effect the increasingly aggressive policy of the Fascist states puts British conservatism in a dilemma. It is obvious that as these states grow stronger they will more and more threaten the British Empire. Japan has already done so in the Far East and Italy in the Eastern Mediterranean. The latest illustration is provided by the menace to Gibraltar which will follow a rebel victory in Spain. Defence of the Empire therefore involves a conflict with the Fascist states and hence an alliance with France and Soviet Russia. Nevertheless the British Government has either simply acquiesced—as in the case of Japan—or attempted to buy off the Fascist powers by concessions at other people's expense—as in the Hoare-Laval plan and as is envisaged in the policy of giving Hitler a free hand in the East.

The dilemma of the British Government is bound to continue. For this reason its attitude on the outbreak of war will be uncertain. It will not actually fight on the side of the Fascist countries. But it will try and keep the war to the East and bully the French into taking no action. If, however, in spite of its efforts, the war spreads to the West, so that there is a danger of Germany occupying the Low Countries and parts of Northern France, then in all probability national interests will outweigh the fear of Communism and the Government will decide to support France and Russia.

From this survey two conclusions emerge which are extremely relevant to the question of whether it is wise for the Labour Party to adopt Covenanter's War-Resistance proposals. First, the next war is likely to be fought between Fascist and Socialist or Democratic states. The sympathies of the Labour Party are bound to be involved on the side of the latter. Secondly, the Government will not contemplate fighting on the side of the Fascist states but it will try and avoid fighting against them as long as possible. We shall be faced, therefore, with a situation where it is not necessary to stop the Government going to war, but indeed be necessary at least to apply economic sanctions.

That this state of affairs could be radically changed if Great Britain were to adopt in the near future that policy of pooled security with the peaceful European powers which Covenanter and others recommend is scarcely open to question. I would only add this : If the formation of this " Peace group " is to be an effective deterrent to aggression from outside—and that, after all, is its main intention—then it must have, to use Covenanter's words, " an overwhelming preponderance of force against attack ". It would, I think, be a mistake to suppose that such a force will be automatically achieved. It is obvious that the combination of Germany, Italy and Japan is an exceedingly formidable one. If the forces of the League powers are to be strong enough not merely to defeat such a combination but to prevent it from even contemplating aggression, then it is no use placing limits on the armaments of the group. The Labour Party which, rightly or wrongly, is opposing the increase in armaments which the present Government is now carrying through would have to support equally strong or stronger armaments if this policy of collective defence were really adopted.

Unfortunately, however, it is not likely that the Government, of its own accord, will adopt this policy. We therefore arrive at the crucial question : in what way can the Labour Party, although it is in opposition, force either a change of policy on the Government or a change of the Government itself ? Covenanter suggests that there is one way in which this can be done. We are to inform the Government that, unless it gives certain effective guarantees that it has adopted this policy, the Labour Movement will in the event of war neither " serve in the armed forces, perform work of national importance, nor pay taxes ". He believes that this threat will force the Government either to give way and adopt the policy or resign and face a general election, in which a Labour Government will be returned to office.

These expectations are, I believe, hopeless, because completely divorced from reality. Let us consider the position of the Government when faced with this threat. It is almost inconceivable that it could give way. To do so would involve at the least a loss of prestige which the cabinet could scarcely survive and more probably a revolt of the majority of the Conservative Party, and perhaps of the House of Commons. Nor can I see any conceivable reason why the Government should adopt that other course anticipated by Covenanter—the course of resignation. Normally a Government resigns only when it is defeated in the House of Commons. This Government will only be defeated if the Conservative Party splits. But if there is one thing which is absolutely certain to unite the Conservative Party it is a threat of this kind from the Labour Party.

" But," Covenanter may reply, " this is not a normal situation . . . No Government can take the responsibility of carrying on in these critical times, if it really believes the nation would be hopelessly divided in case of war." It is at this point that the

international background must be remembered. If the British Government were contemplating a war of aggression on the side of the Fascist powers against Soviet Russia, the threat of War-Resistance by the Labour Movement would be sufficient to prevent it. But it is clearly not contemplating such a war. It is at present working for neutrality—in which case the threat of war-resistance just cannot be carried out, while, if it goes to war, it will be on the side of France and Soviet Russia because the Fascist powers are really menacing the Empire. In a war of this kind it will be able to rely with absolute certainty on the support of the Labour Movement and the country generally.

This, however, is not the end of the story. The political consequences would be not merely negative but extremely unfavourable. In foreign policy the isolationist pro-Fascist section of the Cabinet would be greatly strengthened. When Hitler marches into Memel or Danzig or Czechoslovakia and the British Government does nothing, the Labour Party will be in no position to complain, for it will be pledged to War-Resistance. The left wing in this country, together with certain elements of the Conservative Party, still presents the greatest obstacle to Hitler's ambitions. The adoption of a War-Resistance pledge would remove this obstacle and the Fascist advance could proceed more swiftly and more securely.

Meanwhile internally the position of the Labour Party would also be weakened. The Conservative Party managers would seize at once on this golden opportunity to use their strongest weapon—national sentiment—to attack the Labour Party. It would not be long before Labour supporters—more and more outraged by the advance of Fascism in Europe—would find their absolute pacifist position intolerable and the pressure to drop the pledge would grow stronger and stronger. Covenanter himself says: "And if Labour started out on a war-resistance policy and then got frightened and dropped it, it would be far worse off than if it had never started." I agree. Unfortunately this is precisely the outcome to be anticipated.

Events are now forcing a profoundly difficult decision on the British Labour Movement. The Fascist powers in Europe are preparing to attack. Their motives are nationalist-imperialist and anti-socialist and anti-democratic. We have to decide whether we wish to join in the struggle against them or not. If we do not, if we prefer to remain outside, then we must be prepared to see one Fascist victory after another. We must watch without lifting a finger the defeat of the Spanish workers, the spread of Fascism in France, the attack of Nazi Germany on Socialist Russia.

If, on the other hand, we decide to resist, then here too let us be realistic. The power of Fascism will not be destroyed by resolutions and pious hopes. Only one thing will deter Hitler and Mussolini—and that is the certainty that the whole might of the British Empire will be thrown into the scales against them on the



side of Russia and France. This means that we must at least be prepared to fight. Unless we are prepared to fight, then all talk of resistance is empty and hypocritical and we had much better turn completely pacifist.

If the Labour Movement accepts, as I believe it will, the necessity and the duty of joining in the struggle against the Fascist powers, then its whole energies should be thrown into forcing the Government to give active support to France and Russia. I have tried to show that the threat of War-Resistance cannot succeed in doing this and involves us in hopeless contradictions. The Government's policy of capitulation to Fascism and weakening of the Empire presents us with a golden opportunity. We must show how the Government is choosing to put Capitalism first and the Empire second. We must not neglect to proclaim—what is indeed already apparent—that defence of the Empire involves defence of democracy. On this issue we can appeal not only to our own but also to the Government's own supporters, we can divide instead of uniting the Conservative Party, we can rally behind us the mass of the people.

## RESIST WAR: DEFEND SOCIALISM

H. N. BRAILSFORD

Covenanter's pamphlet deserves a warm welcome, if it can induce the Labour Movement to think about the League in terms of its socialist creed. The method he has chosen may be the wise approach. There was a thin red thread of socialist phraseology that faintly tinged the external policy of *For Socialism and Peace*. If Covenanter can persuade the Party that these phrases really reflected its inmost soul, may he prosper in his endeavour. My memory retains other passages of a different tendency; but if the Party is disposed to forget them, long may they slumber in oblivion. On main contentions, Covenanter deserves all the support we can give him. If I go on to criticise his pamphlet in detail, may I first emphasise my agreement with it in essentials?

I doubt, however, whether we shall ever reach a sound peace policy until we are willing to look realistically at the League and its record. Covenanter urges us throughout to "revive" the collective system. Did it ever exist? There was a paper plan, but at every major test the League crumpled up. It never controlled the march of events. The course of history during the sixteen years of its existence was determined by two main sets of causes. First came the Versailles settlement; the efforts of the victors to impose it, and latterly of the vanquished to throw off its fetters. Secondly the slump led to the general drift towards self-sufficiency, which in its turn made logically for a closer, more possessive Imperialism among the satisfied Powers, and a restless, aggressive

Imperialism among the Have-nots. Fascism itself was a phenomenon of the slump, conditioned in Germany at least by Versailles. The shaping forces of history, whether political or economic, were all the time outside the jurisdiction of Geneva. It could not control them, and did not even modify them. The danger of war was made by these causes, which overtook and overwhelmed this impotent League. To suppose that an organization incapable of controlling these dynamic factors of history can ensure peace by any mechanism of pacts, conciliation and mutual assistance is to hug an illusion. The thing can be done only on the basis of such a surrender of sovereignty as would lead up to a federal structure. But that demands a common outlook. Out of a medley of Fascist, Liberal and Communist States one cannot make a federal Government capable of economic planning and legislation. Covenanter talks of a World Commonwealth. That lies far ahead. We must begin much more modestly. The first step is to reject the Wilsonian myth, and to face the fact that on the Genevan basis, with sovereignty intact, no advance is possible.

This is more than a difference over words. Covenanter's expedient for ensuring peace is not anything approaching a federal union of like-minded States. It is "an all-European treaty of non-aggression, arbitration and mutual assistance". He does, indeed, provide for the exclusion of Italy, and does not expect Germany to join, but he is confident that every other State in Europe will do so. This raises many difficulties. Firstly we abandon the hope of any common outlook, since many of these States (Portugal, Austria, Hungary, Jugoslavia, Bulgaria, Roumania, Poland, all the Baltic Republics and now Greece) are fascist or quasi-fascist countries. Secondly, while Covenanter speaks of "arbitration", he makes no provision for "revision". In default of such provision, arbitration can only enforce the Peace Settlement of 1919. But are we really prepared in all these cases to pledge unlimited defensive aid to maintain an unchangeable *status quo*? Will you fight, for example, to defend Poland's possession of Vilna or Eastern Galicia? Will you fight to maintain the right of Czechoslovakia to hold three million German subjects against their will? Will you lead English and French workers to the shambles to maintain a clerical-fascist dictatorship in Vienna? To all these and to many similar questions I answer for myself flatly NO. In that I may be singular, but when I recollect the attitude of the average Englishman over the Rhineland, I doubt it. The inequality of a one-sided demilitarization was felt to be indefensible. No one would have fought to maintain it. If we pledge ourselves to fight for Austria, I think we shall discover, when the testing time comes, that our All-European Treaty is as worthless as the Covenant itself. The survival of most of these States in their present form does not appear to me to be a socialist interest, and I would pledge no worker's blood to defend them.

The defensive pledge, it seems to me, should be confined to

States in which there is at least socialist leadership or influence. It should be no vague pledge of "mutual assistance", but an unflinching undertaking to defend them with all our resources, military and economic. It should provide for steps leading up to a federal organization of defence, and of external policy, political and economic. If any State otherwise eligible (e.g. Czechoslovakia) which has questionable frontiers desires to enter, it must be under a pledge to submit to a workable procedure for revision.

Lastly, I do not think that Mr. Baldwin's Government is scheming to lead us into war. On the contrary I think it is so timid, so irresolute, that it runs the risk of war only because it will never take a firm defensive stand. This dread of war has infected us all (the French no less than ourselves) much as a similar scrupulous humanity affected the Germans on the eve of the Republic's fall. The real danger is not that Mr. Baldwin will "use war as an instrument of national policy" (to quote the phraseology of Covenanter's draft resolution): it is that he will go on retreating before the Dictators. The Spanish affair is the latest instance. At this rate democracy and socialism will do down undefended in Europe as they did in Germany. It is a mistake to give this Government another chance by offering it yet another pledge to dishonour. The only straight course is to damn it on its record. With the Spanish affair we have entered the epoch of international class war. To the needs of this situation no ingenuity can twist the formulæ of Geneva. Certainly the movement must steel itself to resist capitalist and imperialist wars: but above all it must steel itself to defend the socialist cause against the common enemy, whether on the Russian or on the Spanish front.

## A PACIFIST POINT OF VIEW

NAOMI MITCHISON

The proposals in Covenanter's pamphlet are perfectly practical. Most of us in the Divisional Labour Parties are agreed that what is needed politically is for the Party to concentrate on one main issue, and at present this *must* be peace. But equally, most audiences are bored with the vague talking about collective security, which we are so often treated to nowadays. But here is a clear and striking case: clear enough to be put by the most shy and stammering secretary of a women's section. Again, if this were adopted as the main policy in any D.L.P., it would mean a certain United Front with intelligent Liberals and even some young Tories, and Communists. No doubt this type of United Front is only temporary, but it gives the chance of political education, and part of it at least may stay on for the next big issue.

But now I want to consider this pamphlet from the moral point of view, which is probably the most important in the long run. I



write as a wavering pacifist, a very usual position in this country. I voted with Lansbury at the last Conference in the belief that actually nothing good can be accomplished by violence. To be more accurate : that hatred-made-active in any form cannot produce good relationships between people. It can produce an alteration of the material environment which may be a condition of good relationship but the hatred-in-action cannot in its nature produce direct good. If force is used, those who use it must not complain if they in their turn perish by the sword. This, I think, is a proper pacifist position ; with it is allied the positive pacifist practice : that one should as far as possible use love and understanding rather than hate and propaganda, in ordinary life and even in politics.

The difficulty remains, how are we best to do this ? However much we may say of Hitler : " Forgive him, for he knows not what he does," that will not prevent a large majority in Germany from doing their best to remove by unlimited violence certain, to our minds, essential freedoms, from themselves and also the rest of Europe, any more than our forgiveness of Mussolini has prevented the killing and flaying alive and blinding of a very considerable number of Abyssinians. We pacifists are left in a dilemma ; until at least a majority of men and women in this country want to have a change of heart and become positive and active pacifists, never just negative or frightened, we cannot honestly put forward a pacifist political policy, in any accurate sense. We can and must be pacifist in our personal relationships as far as this is possible for us, and we may convert individuals. But publicly and politically, we must, I believe, adopt not a pacifist policy but a peace policy, which will give pacifism the time which it certainly needs to bear fruit.

Now the peace policy, as opposed to the pacifist policy, is a comparatively short term policy. Anything may happen in ten years. We have to deal with things as they are ; we must deal with the League of Nations idea and make it the basis of our policy. It might be well to ask where the League of Nations idea is most firmly intrenched now. I would answer, not among the intelligentsia or in the Universities, but among the skilled workers, the foremen, the working women who do their bit of thinking at home and the small-holders, the ex-Service men, all that powerful and important class who are clearly neither bourgeois, nor proletariat.

Now, what sort of policy do they want ? It must be a policy based on what they think of as *right*, and firmly attached to their idea of the League of Nations. Their idea of right, I believe, combines the idea of a good relationship between individuals with an idea of obligation, of keeping promises. Probably the reason they are most sick of the " National " Government is not because of its incompetence or its cruelty, or even because it is profoundly anti-equalitarian, but because it has broken its promises.

The policy put forward in this pamphlet is emotionally right for this great body of workers. But Covenanter's policy is simple and can easily be given a thoroughly "pacifist" content. According to it, we allow ourselves to use the evil thing, force, under certain conditions (for instance the passing of a Peace Act and the reconvening of the Disarmament Conference). But the whole point is that if these conditions are carried out, we shall be far more likely not to have to use force than under any other conceivable policy. Even if we ourselves are complete practising pacifists and go to prison rather than fight ourselves, yet other people will use force; it seems to me that by agreeing to use it ourselves in certain circumstances we are more likely than by any other method to avoid it altogether.

From the angle of our friends in other countries the worst thing that this country is doing is the pre-war fence-walking of today; they don't know whether we'll fight, if so for whom. That means that sooner or later (as in 1914) someone takes a chance, thinks England isn't committed and goes to war. If anything decisive were known about this country, the rest of Europe would be less terribly uneasy. If it were known that in certain circumstances the Labour movement of this country (without Labour there can be no war) would do this or that, then it would immediately ease the European tension.

It may be argued that the League has got to be broken up and cleared away before it can be re-made. To this I would answer that there is a tremendous nucleus of real pacifist opinion and action around the League. Even today, the Covenant of the League of Nations is an impressive document; if the signatory Powers had fulfilled it, we might have peace now. But the peoples of these same countries, under the sway of other ideas, might fulfil the covenant and make it work.

It may also be argued that if the present Government will not give the guarantees and popular opinion forces the return of a Government which will give them, it will be a United Front Government, not strictly speaking a Labour Government. I am inclined to think this an academic objection; any such Government would have mainly Labour support which could impose its general will. It may be objected, too, that we are offering to make terms with the enemy—the capitalist system. This is surely illusory; the present Government will be put into the position of refusing absolutely reasonable guarantees; and that is the kind of thing which ordinary decent, promise-keeping people can understand.

Of course, if a policy like this is to be successful, it will not admit of compromise. If we think the Labour Party is really not capable of sticking to this policy (with the certain backing of many more than its present avowed supporters) than let us chuck the whole thing up. But I am hopeful. If we start on it in October, we may have established the will for it by Spring.

# LABOUR RULE IN SWEDEN

JOHN PARKER, M.P.

The last four years have seen a widespread revival of trade in Sweden and the reduction of unemployment to a lower level than in any other capitalist industrial state. This feat has been accomplished with little rearmament until the present year; there has been a rise in real wages during the period of 6% and a steady improvement in conditions. From the Kreuger crash in 1932 until June this year a Socialist-Farmers Government was in power carrying out an immediate "crisis policy" put forward by the Socialists to deal with the situation. Undoubtedly the Swedish Labour Party gained considerable credit from the vast change which took place in Sweden during the period mentioned; this has enabled the party to gain nearly 49% of the seats in the Lower House in the elections this September, other Socialist and Communist groups having 5%.

Opinions differ widely as to how far the Swedish Socialists are justified in claiming credit for these improvements. They were certainly lucky to come into power after a financial scandal and at the bottom of the depression when devaluation had taken place; their country would almost certainly have shared in the revival which took place throughout the sterling area even if they had not been in office. However, even allowing for all these factors, their record has been a striking one: Sweden's recovery was more rapid and complete than that of any other country in the sterling bloc.

## THE "CRISIS POLICY"

The Bank of Sweden has long been state owned, and its governor is controlled by a Parliamentary commission constituted according to the strength of parties in the Riksdag. Herr Wigforss, the Socialist Finance Minister, was thus able to make the central bank follow the policy he wished. Two of the smaller banks, the Stockholm and Goteborg banks, had been taken over by the state during the financial crisis of 1923. The other banks were subject to some degree of Government influence as their charters were renewable by the state every ten years and they were subject to Government inspection. In practice during 1932-6 the Government made no direct attempt to force the joint stock banks to adopt a policy to which they were opposed, but the fact that it possessed these reserve powers made it easier for the Government to get its way. Nevertheless there was a certain amount of friction and Swedish Socialists are agreed that more drastic state control of the joint stock banks is necessary in future.



When Wigforss took over the Finance Ministry there were 660,000 unemployed out of a population of just over 6 million, and the banks were bursting with cheap money which private enterprise, in fear after the Kreuger scandal and the crisis, would not use. The new Government refused to make any wage or salary cuts, put in hand an immense programme of public works in addition to that already in progress and gave extensive subsidies to private enterprise, all as part of its expansionist policy.

The public works programme comprised:

(1) *The old public works—mostly road reconstruction*—which were inherited from the previous Government. Roads are bad in Sweden, and expensive to maintain in so large and thinly peopled a country. Few save the rich possess motors; long distance travelling is done almost exclusively by rail or water. Herr Möller, the Socialist Public Works Minister, spent the receipts of the motor taxes on road reconstruction, but nothing more on the ground that there were other methods of spending money to the greater advantage of the working class. Now that the Socialists have returned to office this policy may be reconsidered, as many of the "pools of unemployment"—i.e., places where unemployment still exceeds 7% of the working population—are in stone quarrying communes which would benefit from a more vigorous road reconstruction policy.

(2) *Housing*.<sup>1</sup> This was one of the most popular parts of the Socialist crisis programme. Credits were given to workmen to repair, and in many cases rebuild, their homes. 81,500 houses were so treated in the four years. This scheme was later widened to include construction of new houses. Housing cooperative societies which already built a large proportion of working class flats were encouraged by state credits for rehousing large families, etc. Effective town planning and cheap building were greatly assisted by the fact that the large municipalities owned the greater part of their own land.

(3) *Development of Socialized Industries—Direct State Public Works*. In addition to the central bank the state already owned the hospitals, the drink and tobacco monopolies, most of the railways and hydro-electric power, the post office and telephones, etc., and 20% of the forests. It also possessed half the shares in the iron mines. Large schemes of development in all these socialized industries were put in hand. In particular railway electrification was pushed ahead, so that now 80% of the traffic in Sweden is carried on electrified lines. The administration of the state forests, which had been neglected, was overhauled; two large modern state sawmills were constructed to utilize forest products. So efficient has the Timber Export Board for the state forests become that it can now get better prices in Great Britain

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<sup>1</sup> See article by Dr. W. A. Robson in *New Statesman and Nation*, August 1, 1936.

than the private exporters, as its products are better graded. The Government also constructed numerous bridges, improved fishing harbours, reclaimed and drained land and began to provide smallholdings for forest workers, one of the worst off sections of the community, whose season only lasts for five winter months.

(4) *State loans to local authorities* for various purposes—building schools, etc.

(5) *Subsidies to private enterprise.* This section of the "crisis programme" was subject to considerable criticism in the ranks of the Socialist Party. It played, however, a very big part in the total programme. Requests from firms for assistance were examined by the Public Works Minister and his staff, who only granted assistance if they considered the work to be undertaken of national value. No provisions concerning wages or conditions were laid down, as the trade unions were rightly held to be strong enough to see that the subsidies did not merely go to swell profits.

Altogether about 900,000,000 kronor (£45,000,000) was spent in the four years on public works. 300,000,000 kronor (£15,000,000) of this came from loans to be repaid in seven years. The schemes on which it was spent were so successful that it was all paid back in four years. A considerable amount<sup>1</sup> was raised on short term—apparently on what we should call Treasury Bills—at an interest of 3%. Much of this was paid off out of taxation largely as a result of an increase in yield following the trade revival, but income tax was also increased and a capital levy and a new inheritance tax imposed.

The vigorous development of the State enterprises as part of the crisis policy has had a directly beneficial effect on the budget. In the latest, receipts amounted to K1059 million if the motor tax is excluded. Apart from K400 million, which was derived from profits on the State liquor and tobacco monopolies, etc., much of which was really a form of indirect taxation, State enterprises provided K170 million profits for the budget.

## "REFORMIST" ATTITUDE OF SWEDISH SOCIALISTS

The carrying out of this crisis policy was the chief aim and achievement of the Socialist-Farmers Government. It should be noted that this programme was drawn up to provide something for all sections of the working community and was spread over all parts of the country. It was accompanied by a number of important measures of social reform. Social services in Sweden are far less extensive than in Great Britain and there is a strong drive in the Labour Party towards building them up. On the other hand there is no strong feeling in favour of immediate general

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<sup>1</sup> A full explanation of the procedure followed is to be found in Brinley Thomas, *Monetary Policy and Crises*.

socialization. It is felt that in the local situation progress towards socialism should be from the consumers' end by steadily pushing up the standard of living. The only two measures of socialization proposed by the Socialists during this period, but defeated in Parliament, were those of Wigforss for creating state petrol and coffee monopolies. He hoped to cheapen these products for the consumer as well as to benefit the national finances by taking their profits. The Socialists finally left the Government in June 1936 when the proposal of their leader, Per Albin Hansson, to link an increase in old age pensions with rearmament as a compromise, was turned down by the Farmers' Party.

In view of the large amount of state ownership already existing and the paucity of social services until recently, the 'reformist' attitude of the Swedish Socialists is easily explicable. The absence of the British class divisions, the high general standard of life and the small number of rich persons, the non-existence of any large depressed areas and the fact that private industry is usually efficient, modern and well-equipped, all strengthen this tendency. The vigour of the trade unions and cooperative movement have so far enabled the workers to get a steadily rising standard of life. Electoral factors also have had a moderating effect.

## THE SWEDISH LABOUR PARTY

The Socialists are led by a group of very able men aged about 45—50. They not only get the solid backing of the industrial workers but have strong support in the rich agricultural province of Scania and among the forest workers and fishermen. Their party is well organized and has 350,000 individual members; this is the same number as the British Labour Party has out of a population seven times as large. In Eskilstuna, the Swedish steel centre, which has a population of 36,000, there are 9,000 party members: my division of Romford has the largest membership in Great Britain (8,000); its population is nearly 250,000. Annual subscriptions are approximately the same in both countries; so are the incomes of the central offices. Propaganda appears to be very up-to-date without being crude, and its research department is very alive.

Relations with the trade unions and cooperative societies are friendly, but they have no say in the Party's policy, which is entirely controlled by its individual members. Whilst there is no national affiliation by trade unions, many trade union branches affiliate to local parties and pay subscriptions for all their members who do not contract out. There are no block votes, however; members of these branches all have voting powers as individual members. Socialist dailies exist in all parts of Sweden. They are able to compete with capitalist papers successfully in a country where distances are great and circulations small but where everyone reads a paper. They are financed by local parties, trade union branches and cooperative societies, and profits are usually handed over to the local party.



## RECOMMENDED BOOKS

Jawaharlal Nehru

INDIA AND THE WORLD (Allen & Unwin 5/-). A stimulating collection of speeches and writings including Mr. Nehru's presidential address to the 1936 National Congress; a book indispensable for those who want to understand the problems of modern India.

A. M. Carr-Saunders

WORLD POPULATION (O.U.P. 12/6). A full and admirable presentation of the facts in their historical perspective. The causes of the increasing popularity of birth-control and the importance of social security in its widest sense as the only really effective method of preventing a decline in population are the subject of a profound and interesting survey. Well documented both as to statistics and sources, the extent and significance of population movements, of rises and falls in birth and death rates are exhaustively analysed. An authoritative book.

League of Nations

MONEY AND BANKING, 1935/36. Vol. I, MONETARY REVIEW; Vol. II, COMMERCIAL BANKS (Allen & Unwin 2/6 and 7/6). Vol. I gives a general conspectus of the monetary policy pursued in a number of countries in recent years; especially interesting is the attempt to determine the part played by monetary factors in industrial recovery. Vol. II gives an up-to-date account of the banking situation in 48 different countries.

G. Clark

THE BALANCE SHEETS OF IMPERIALISM—Facts and Figures on Colonies (Oxford University Press. 15/-). A novel and comprehensive presentation of the figures. Accurate facts with a questionable interpretation; interesting material in view of present colonial controversies, but especially valuable to those in need of reference books on imperial questions.

H. Kohn

WESTERN CIVILISATION IN THE NEAR EAST (Routledge 15/-). An interesting description, by a writer whose earlier books on the East and Near-East are well-known, of the effects, cultural, political and economic, of the Europeanization of the Levant countries. Useful bibliography of periodical literature.

R.I.I.A

GREAT BRITAIN AND EGYPT, 1914-1936. (R.I.I.A. 2/-). A well-documented work which provides a good background for an understanding of the new agreement between the two countries; written from the official point of view.

Joshua Kunitz

DAWN OVER SAMARKAND (Lawrence & Wishart 7/6). An interesting account of Soviet achievement in territories previously oppressed by the Tsar. Not many facts, but plenty of colour. A refreshing contrast to the methods of Capitalist Imperialisms.

## RECOMMENDED BOOKS

- E. J. Phelan      YES AND ALBERT THOMAS (Cresset Press 10/6).  
An account of Albert Thomas' part in the making of the I.L.O. by one of his principal collaborators. Especially interesting for its description of the struggle between the Governments and the workers' and employers' group over the appointment of the Director and for the light it throws on the difficulties of international administration in the face of differing national civil service standards and practice.
- League of Nations      STATISTICAL YEAR-BOOK OF THE LEAGUE OF NATIONS, 1935-36 (Allen & Unwin, Paper 10/-; Cloth 12/6). A comprehensive collection of data, mainly derived from official sources, on the following subjects:—Territory and population; Labour conditions; Production; International trade; Transport; Public finance; Banks; Prices. It includes a number of interesting tables not published in previous editions.
- Ed. J. W. Bennett & S. Heald      DOCUMENTS IN INTERNATIONAL AFFAIRS, 1935, Vol. 1 (Oxford University Press 15/-). A useful collection of documents dealing chiefly with the relations between Europe and Germany in 1935 as shown in official publications and extracts from speeches. Needs no recommendation to those who have read previous volumes.
- Ed. G. E. Franey      BUILDING SOCIETIES YEAR BOOK, 1936 (Graney 7/6). Important for the study of the financial effects of the building boom. Worth more attention than it usually receives from students. Especially interesting now that the building boom is expected to collapse any moment.
- I.L.O.      DIRECTOR'S REPORT (2/6). One of the most illuminating and valuable of the reports that emanate annually from Geneva. Revealing facts as to the real obstacles in the way of the 40-hour week and improvements in workers' conditions generally.
- I.L.O.      WORKERS' NUTRITION AND SOCIAL POLICY. The most comprehensive survey of nutrition problems yet issued. A condemnation of restriction schemes that raise prices, and an emphasis on the importance of income as "the root of the workers' nutrition policy" is the basis for certain suggestions as to the immediate measures that might be taken.
- L. E. Hubbard      SOVIET MONEY AND FINANCE (Macmillan 12/6). The most comprehensive and up-to-date account in English of the financial side of Soviet planning. Covers Soviet Banking, Currency and Credit Policy, the Budget, Distributive System, Prices, Savings and Investment and the avoidance of crises. An essential book for the study of socialist financial policy: laudably objective.

